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## Thailand

### Sugar

### Semi-Annual

### 2003

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**Report Highlights:**

MY 2004 sugar cane production will likely continue to increase to 78.0 mmt from the previous year's record of 74.1 mmt. However, over the medium term, the government aims to limit sugar cane planting expansion. Sugar exports are expected to continue their upward trend.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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**Executive Summary**

MY 2004 sugar cane production is forecast to continue to increase to 78.0 mmt from last year's record of 74.1 mmt, mainly in response to the expansion of planted areas. Domestic consumption and export demand will likely continue their upward trends. However, the depressed world sugar prices are a major concern for Thailand and the other major exporting countries. Moreover, the Thai authorities plan to limit sugar cane expansion over the medium term in order to solve the huge debt burden of the state-run Cane and Sugar Fund.

## Production

MY 2004 sugar cane production will likely continue to increase to 78.0 mmt, as compared to last year's record high of 74.1 mmt, mainly in response to the continued expansion of planted areas. Despite the government policy on cane production control, to start in MY 2004, the cultivation areas are expected to expand further to 1.2 million hectares as the policy is implemented after cane growers have already cultivated their MY 2004 crops which is based on the previous year's attractive returns from the state-run Cane and Sugar Fund's support program, in which cane growers will normally be compensated for any losses. However, over the medium term the policy will likely lead to a slowdown in cane production and a reduction in planted area in response to the depressed world market price.

In MY 2003, cane production is revised upward to a record 74.1 mmt, due mainly to favorable weather triggered yield improvements and greater than expected expansion of the planted areas to 1.1 million hectare. The Northeastern region, covering about 40 percent of total production, accounted for the bulk of the increase. However, the sugar yield is revised downward, reflecting the excessive rainfall during the harvested period. The official estimate of burned cane is still high at 60 percent of total cane production, as cane growers save harvesting time if they burn the cane before cutting. The official sources reported that the burned cane would result in a 10-20 percent reduction in Cane Commercial Sugar (CCS) value which was partly linked to how efficient the sugar industries were as it determined the amount of sugar that could be produced for given cane. At present, Thailand's average CCS is still at approximately 11.17 percent, below the target of 13 percent.

As for sugar production, the MY 2004 production is forecast to continue its upward trend in line with the growing cane production. Also, MY 2003 sugar output is revised upward to 7.3 mmt (raw value), up significantly from the previous year. The capacity utilization is expected to increase gradually. However, the authorities still limit sugar mill expansion.

## Consumption

In MY 2004, the consumption of sugar cane and sugar is estimated to increase significantly in response to a greater supply of sugar cane and favorable economic conditions. Also, MY 2003 consumption has been revised upward. However, the official estimate of the average extraction rate has been lowered to 98.59 kg/ton, as compared to the previous estimate of 98.96 kg/ton, due to the low quality of the cane. Meanwhile, the average yield of molasses has been revised upward to 47.42 kg/ton of cane from the previous estimate of 45.76 kg/ton of cane.

The current average wholesale and retail prices of white sugar remain unchanged from the previous year at 11.77 baht/kg (roughly US 30 cent) and 13.25 baht/kg (roughly US 33 cent). As for the molasses prices, trade sources reported that the current wholesale price was still low at around 1 baht/kg (roughly US 2 cent), down more than 10 percent from the previous year due to an increase in molasses yield.

## Trade

MY 2004 sugar exports will likely increase to 5.8 mmt, of which 3.2 mmt is raw sugar. Trade sources reported that raw sugar exports to Russia are expected to continue their upward trend. Also, Thai white, refined sugar should maintain its market share in Indonesia, which is Thailand's largest importer.

In MY 2003, despite a sharp reduction of sugar export during the first five months due mainly to the delay in domestic sugar production, sugar exports would likely recover in the second half of the year and are forecast to reach 5.1 mmt, up further from the sharp increase in MY 2002. Trade sources reported that so far Thailand has already shipped all raw sugar under the MY 2003 U.S. tariff-rate quota in the amount of 14,734 metric tons (raw value). Also, exports of raw sugar to China, which accounts for over 95 percent of total sugar exports to China, are expected to rebound in the second half of the year. The import demand for raw sugar from Russia and Japan will likely continue to grow, as well as the white, refined sugar import demand from Indonesia. However, export prices are reportedly low at approximately US 6.5 cents/lb (roughly \$ 143 /ton).

Sugar imports in MY 2004, like in MY 2003, will likely be insignificant due to sufficient available domestic supply. The government import policy on sugar follows the WTO agreement, which is limited to a 65 percent tariff rate under the quota of 13,760 metric tons in CY 2004. The out-of-quota tariff rate is 94 percent, a percentage point decline from the previous year.

### **Stock**

MY 2004 sugar stocks will likely remain as high as in MY 2003 due mainly to the growing cane production. Meanwhile, the export market is partly limited by competition from other major exporting countries.

### **Policy**

The government is attempting to control sugar cane production in order to solve the huge debt burden of the state-run Cane and Sugar Fund, which amounts to 12.3 billion bath (US\$ 300 million), of which 5.9 million baht (US\$ 144 million) is the new credit line for financial assistance for covering the MY 2003 production costs of cane growers who will finally receive 580 baht/ton (ex-factory price) for the sugar cane price instead of 500 baht/ton which was previously announced as the initial sugar price. The five-year plan, to start in MY 2004, is tentatively to limit the financial assistance via subsidy price, which is set at no more than 580 baht/ton between MY 2004-2008, only for the first 65.5 mmt of cane production, after which the excess will follow market prices which are normally lower than the subsidy price. The amount of cane eligible for the subsidy price for each cane grower depends on his average production over the past 3 years. All cane growers, around 700,000 growers, will be registered and are required to limit their planted area. Moreover, the sugar mills are not allowed to expand their mills, but to improve their production efficiency.

Regarding the EU's sugar subsidy, the major sugar exporting countries (Brazil, Australia, and Thailand) have previously filed a petition with the World Trade Organization (WTO) against the subsidies. Thai authorities believes that the EU's subsidy distorts the world market price of sugar, resulting in a reduction of global sugar prices which partly cause the huge debt burden to the state-run Cane and Sugar Fund.

Table 1: Thailand's Sugar Cane Production

**PSD Table****Country****Thailand****Commodity****Sugar Cane for Centrifugal**

(1000 HA)(1000 MT)

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
	12/2001		12/2002		12/2003	
Area Planted	970	970	995	1136	995	1200
Area Harvested	950	950	970	1113	970	1175
Production	59400	59400	69000	74100	69000	78000
TOTAL SUPPLY	59400	59400	69000	74100	69000	78000
Utilization for Sugar	59400	59400	69000	74100	69000	78000
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	59400	59400	69000	74100	69000	78000

Table 2: Thailand's Production, Supply and Demand for Sugar

## PSD Table

Country

Thailand

Commodity

Centrifugal Sugar

(1000 MT)

Market Year Begin	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
	12/2001	12/2001	12/2002	12/2002	12/2003	12/2003
Beginning Stocks	571	571	979	979	792	1282
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	6397	6397	6813	7303	6800	7690
TOTAL Sugar Production	6397	6397	6813	7303	6800	7690
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	6968	6968	7792	8282	7592	8972
Raw Exports	2180	2180	2800	2800	2800	3180
Refined Exp.(Raw Val)	1977	1977	2300	2300	2300	2620
TOTAL EXPORTS	4157	4157	5100	5100	5100	5800
Human Dom. Consumption	1832	1832	1900	1900	1900	1990
Other Disappearance	0	0	0	0	0	0
Total Disappearance	1832	1832	1900	1900	1900	1990
Ending Stocks	979	979	792	1282	592	1182
TOTAL DISTRIBUTION	6968	6968	7792	8282	7592	8972

Table 3: Thailand's Exports of Sugar

**Export Trade Matrix**

Country	Thailand	
Commodity	Centrifugal Sugar	
Time Period	Jan-Dec	Units: MRTV
Exports for:	2002	2003
U.S.	14614	U.S. 0
Others		Others
Indonesia	1004136	Indonesia 245749
Japan	383685	Japan 154300
China	182936	China 3560
Malaysia	369884	Malaysia 95026
Korea, Rep.	136344	Korea, Rep. 24659
Cambodia	244344	Cambodia 40347
Taiwan	102794	Taiwan 86924
Russia	491046	Russia 498939
Singapore	158554	Singapore 13840
Sri Lanka	104465	Sri Lanka 42547
Total for Others	3178188	1205891
Others not Listed	965633	951502
Grand Total	4158435	2157393

Note: Export figures in 2003 cover January - April

End of Report